



2008 - 2009 Annual Report

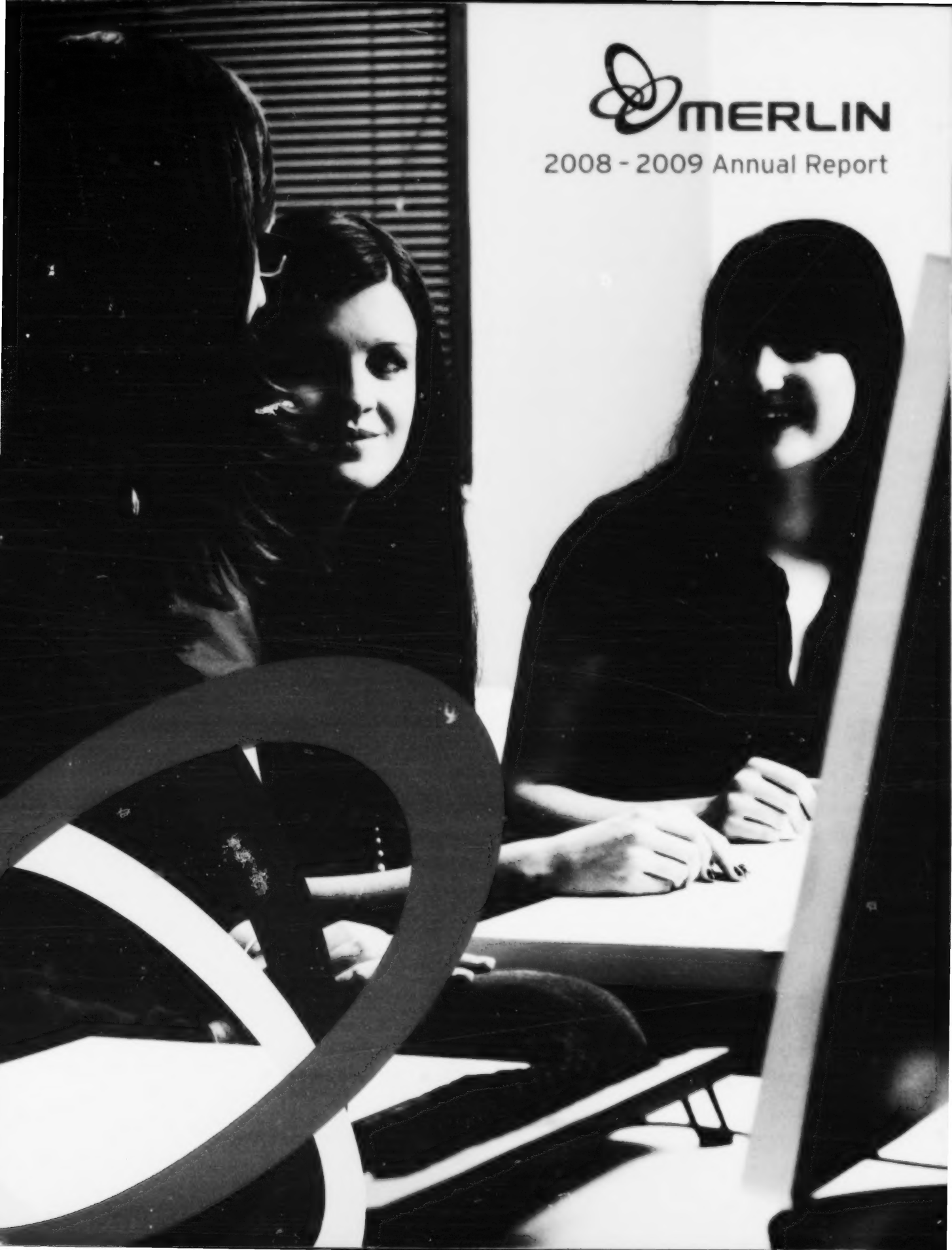
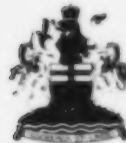


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MINISTER OF
SCIENCE, TECHNOLOGY, ENERGY AND MINES

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

September 15, 2009

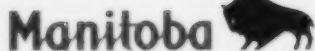
The Honourable Philip S. Lee, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8



I have the privilege of presenting the Manitoba Education, Research and Learning Information Networks (MERLIN) Annual Report for the operational year ending March 31, 2009.

Respectfully submitted,

Honourable Jim Rondeau



Science, Technology, Energy and Mines

Deputy Minister
Room 349, Legislative Building, Winnipeg, MB R3C 0V8
T 204-945-2771 F 204-945-2747
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June 1, 2009

The Honorable Jim Rondeau
Minister of Science, Technology, Energy and Mines
Room 333, Legislative Building
Winnipeg, Manitoba R3C 0V8



Dear Minister Rondeau:

I am pleased to submit for your consideration the Annual Report of the Manitoba Education, Research and Learning Information Networks (MERLIN) for the year ended March 31, 2009.

MERLIN has successfully completed the three-year Partner Program Agreement ending with 97.5% of school divisions voluntarily participating in the Program. This innovative program includes a bundled service package that translates into major cost savings and increased efficiency for Manitoba schools. Savings of over \$2.0 million were realized on licensing alone. To date, positive responses from school divisions have been received accounting for a 100% renewal rate. MERLIN has guaranteed costs and maintained all existing services in the Partner Program for an additional three years – a great accomplishment.

Other accomplishments include MERLIN's assessment of interest from all publicly funded post-secondary institutions in the Agency's service offerings. As a result of this initiative, seven of eight post-secondary institutions have enrolled under MERLIN's Microsoft Enrolment Agreement to access the cost savings and improved service. The Agency continues to support the ongoing development of the Manitoba Network to provide reliable, affordable broadband for schools and communities throughout the province.

I would like to thank MERLIN's Advisory Board for their continued support and commitment and staff for their dedication and effort that has contributed to MERLIN's success.

Respectfully submitted,

John Clarkson
Deputy Minister

Manitoba
spirited energy



On behalf of staff, I am pleased to report on the achievements of Manitoba Education, Research and Learning Information Networks (MERLIN) for the year ending March 31, 2009. We have had another very successful year.

During the course of 2008-09 we have had the pleasure of providing service to almost every educational organization in the Province of Manitoba including public K-12 schools, independent K-12 schools, First Nations K-12 schools, colleges, universities and community access sites. We have had a high level of participation in all of our program areas and this has provided benefits and cost savings across the education sector. Our clients have indicated a very high level of satisfaction with the products and services that we provide and how we provide them.

We have also had an opportunity to work closely with the Manitoba Network Task Force which has allowed us to highlight the broadband requirements of the education sector in Manitoba. We have received exceptional support from both government and educational organizations in fulfilling this role.

Our success would not be possible without the outstanding contribution and support we receive from Minister Rondeau, our department, the MERLIN Advisory Board and all of our clients. We are very appreciative of this support.

Finally, the MERLIN Advisory Board has conducted a strategic planning exercise this year that we believe will provide MERLIN with a number of interesting and valuable initiatives to carry forward into the future.

Regards,

Greg Baylis
Chief Operating Officer

Agency Profile

Background

Manitoba Education, Research and Learning Information Networks (MERLIN) was established in 1995 as a special operating agency with the Department of Education and Training. It was formed as a facilitating body to coordinate the delivery of distance education and technology services to the education community across Manitoba. MERLIN now operates under the Department of Science, Technology, Energy and Mines.

Mission

- To support the use of technology in improving educational services to learners.

Mandate

- Provide services that support educational institutions in the application of technology tools to enhance and expand program delivery; and
- Provide direction and management in the educational use of networks, acting as a broker of services to meet client needs.

Services

The services provided are allocated into the following sections:

See chart on page 7.

Partner Program

The Partner Program includes a collection of commonly used services such as: licensing (desktop and anti-virus), internet bandwidth, monitoring and reporting of internet traffic, access to high speed direct connect services, spyware filtering for web traffic, web content filtering, anti-spam / anti-virus scanning, hosting,

consulting and discounted cell phone, long distance and blackberry plans. This package translates into major cost savings and benefits for schools in Manitoba.

Funded Independent Schools Partner Program

This Program is very similar to Partner Program but is customized for funded independent schools.

Consulting

This service includes per diem consulting, project consulting and support contracts.

- Design and implementation of LAN and WAN, directory services and server infrastructures
- Advice on the selection of technical equipment and services
- Support for the installation and maintenance of workstations
- Advice on technologies that support distance education delivery
- Network systems management
- Security services (VPN, WAN, etc)
- Review of a school division's existing technology plans

Provincial Licensing and Purchasing

Licensing and purchasing on a province-wide basis helps ensure consistency in hardware and software products and provides economies of scale for smaller school divisions.

- Provide advice and assistance for hardware including routers, switches and firewalls
- Negotiation of software licensing agreements and hardware discounts
- Advice on licensing and purchasing of software

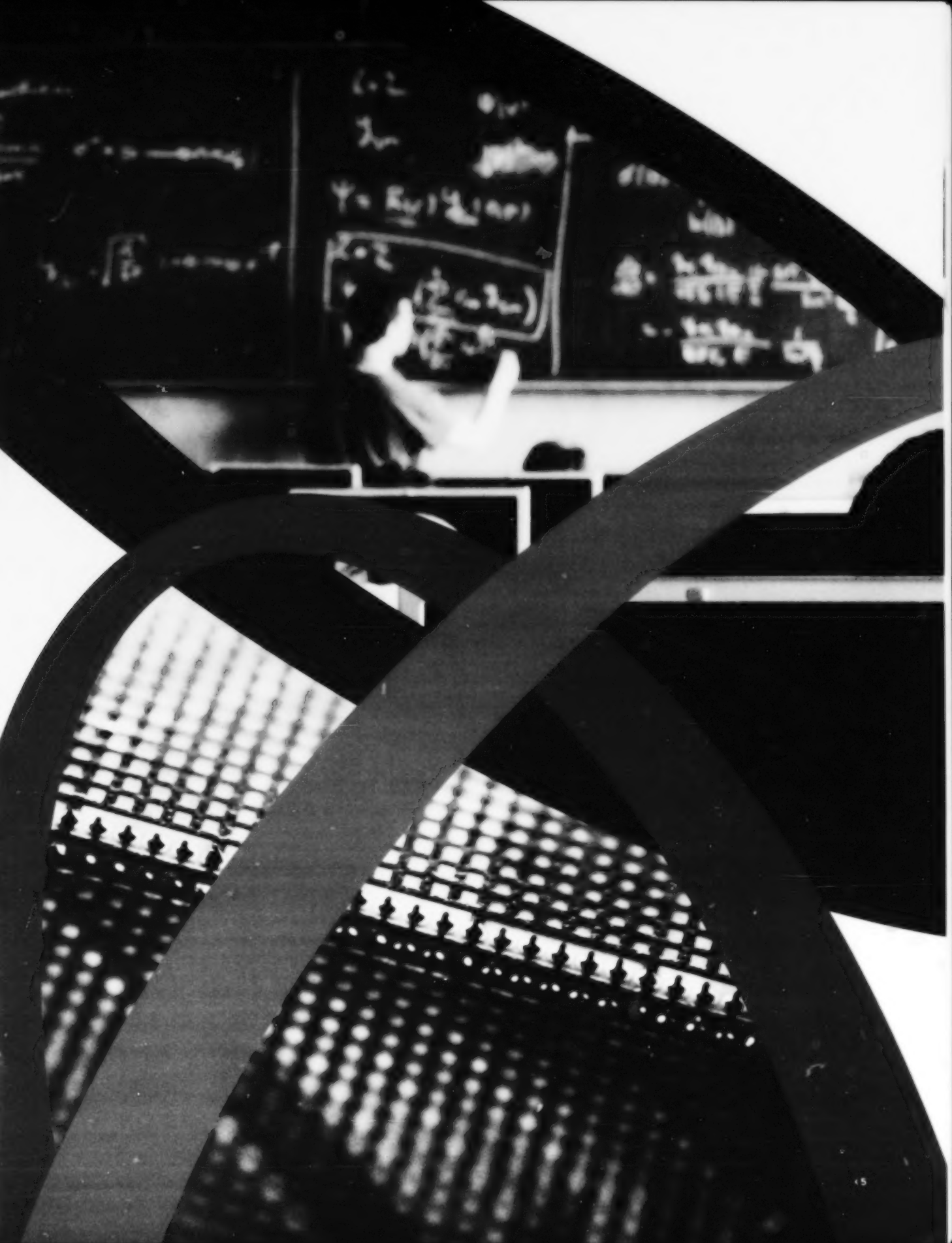


Statement of Cash Flows

(in Thousands)

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Net income for the year	\$131	\$293
Adjustment for Amortization	147	93
	278	386
Changes in non-cash working capital:		
Accounts receivable	(405)	3
Prepaid expenses	(15)	98
Receivable from the Province of Manitoba	47	
Accounts payable	270	(47)
Unearned revenue	(68)	33
	(171)	87
Severance liability	9	(16)
	116	452
Cash Flows from Investing Activities		
Capital assets	(302)	(356)
Purchase of long term investment	(47)	
	(349)	(356)
Cash Flows from Financing Activities		
Cyberschools	-	(123)
Net decrease in cash and cash equivalents	(233)	(127)
Cash and cash equivalents, beginning of year	604	636
Cash and cash equivalents, end of year	\$371	\$509

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



Summary of Significant Accounting Policies

March 31, 2009

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%
Leaseholds	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated.

Revenue Recognition

Progress funding is recognized over the term for which it applies.

Fees for service are recognized as the service is performed or ownership of goods has been transferred. Interest charges are recognized once service has been provided and billed at the end of each quarter. Special projects are billed based on the terms of the contract.

Reimburse for the Cybersecurity project have been received in advance and are shown in income as expenditures are incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts

ICIA Handbook Section 1500, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and it emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards

The ACSS plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet been determined.



Shared Services

These shared services include the provision of the Department of Education, Citizenship and Youth's website, internet and related services to school divisions.

- Access to high-speed research and education network i.e. CA*net 4 and MRnet
- Internet access
- Content and spyware filtering
- Hosting of websites and web-based applications
- Web server and maintenance of MECY's web page
- Email anti-spam / anti-virus solutions
- Email list server
- Hosted Exchange email for school staff
- Hosted Office Communicator for school staff
- Hosted email for students
- Web-based file storage for students

Technical Training

Training customized for school divisions assists them to sustain operations and enhance their own technology infrastructures. Training services are intended to provide education-specific training in areas where it might not be available normally.

- Support for applications of distance education
- Delivery of workshops and seminars (example: Manitoba Association for Distributed Learning and Training) on distance education topics
- Seminars and workshops related to the practical use of technology. Examples: Licensing; Network security; GroupWise; BorderManager; Basic network administration; Desktop Management; updated administration applications.

General Support for the Education Community

This includes activities such as general help desk support and participation in various educational organizations including CECM, MADLaT, BYTE Technology Conference, MECY Literacy with ICT Advisory Committee, Post-Secondary Education Committee on Learning Technologies, MRNet, Computers for Schools and Libraries, etc.

Markets

PRIMARY

Schools and school divisions (K-12) comprised of approximately 37 school divisions, over 700 public schools, 94 independent schools and over 50 band-operated schools within approximately 62 First Nations.

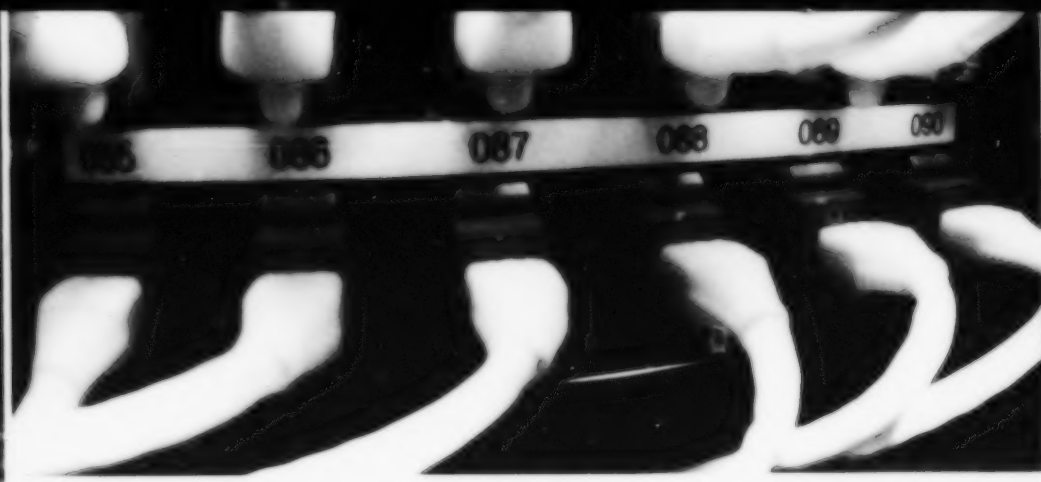
SECONDARY

Approximately 2 post-secondary institutions, adult learning centres, Department of Education, Citizenship and Youth, Department of Science, Technology, Energy and Mines, and educational organizations.

TERTIARY

Other government departments and related organizations.

While MERLIN does not have a monopoly for its services within the province, it does have a unique position in the education community, allowing for the provision of an education-specific component to decision-making, provincial coordination, and advisory services. The Agency attempts to foster cooperative relationships with private industry to benefit the education community.



Services	Schools	Department of Education Elementary and Youth	Post-Secondary Institutions
Partner Program (bundling of services)	X		
Funded Independent Schools Partner Program	X		
Consulting	X	X	
Provincial Licensing and Purchasing	X	X (MSD) ¹	X
Shared Services – all hosting and ISP costs for the provision of services outside the Partner Programs	X		X
Technical Training Services	X		
General Support for the Education Community	X	X (MSD) ¹	X

¹ Manitoba School for the Deaf



Performance Review

Performance Targets and Accomplishments

Performance Areas

- Focus on the K-12 student
- Focus on educational services
- Increased access to MERLIN's services for rural and northern communities
- Increased gaming

MERLIN met a significant need in many areas during the Fiscal Year 2006/2007. Some examples are highlighted below.

MERLIN Partner Program Summary

Current participation by all of MERLIN's partner organizations is as follows:

Internet usage summary:

- **Microsoft licensing:** 100% usage
- **Internet gateway and connectivity:** 100% of schools use the gateway to MERLIN to access the internet. 100% of schools have an internet connection offering internet access. 100% of schools have an internet connection. 100% of schools have an internet connection. 100% of schools have an internet connection.
- **Web content filtering:** 100% of schools use the service
- **Email anti-spam service:** 100% of the schools use the anti-spam service. 100% of the schools use the anti-spam service. 100% of the schools use the anti-spam service. 100% of the schools use the anti-spam service.
- **Long distance rates:** 100% of schools have a long distance rate. 100% of schools have a long distance rate. 100% of schools have a long distance rate. 100% of schools have a long distance rate.

- **Cell phones and blackberries:** 100% of schools have a cell phone or blackberry. 100% of schools have a cell phone or blackberry. 100% of schools have a cell phone or blackberry. 100% of schools have a cell phone or blackberry.
- **Hardware purchases:** 100% of schools have a hardware purchase. 100% of schools have a hardware purchase. 100% of schools have a hardware purchase. 100% of schools have a hardware purchase.

Summary:

A look at many of the key findings regarding the program. 100% of schools have a cell phone or blackberry. 100% of schools have a cell phone or blackberry. 100% of schools have a cell phone or blackberry. 100% of schools have a cell phone or blackberry.

Key findings:

- 100% of schools have a cell phone or blackberry.
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"In addition to the other services MERLIN provides, the Agency has served as a valued consultant to Prairie Rose School Division during the division's planning and construction of its wireless wide area network. MERLIN has provided technical information and expertise as well as suggestions for general project direction. MERLIN's involvement with school divisions across the province has allowed Prairie Rose to develop a network of contacts who have shared their insights as the project moved forward."

Bruce A. Wood

Assistant Superintendent, Prairie Rose School Division

Provincial Licensing and Purchasing

<http://www.merlin.ca/licensing/purchasing.html>

Microsoft, Adobe, Corel, Novell

Through the Provincial Purchasing Agency, school divisions can benefit from a streamlined process in procuring the products and services they need. Through the Agency, school divisions can benefit from a streamlined process in procuring the products and services they need.

All the following information is available through the Agency's website: <http://www.merlin.ca/licensing/purchasing.html>. This information is available through the Agency's website.

Consulting

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Shared Services

Below are some of the services provided by MERLIN:

- **Unified messaging email for school staff** - Quick introduction of this new service: approximately 17,000 email accounts have been migrated for school staff from free-school domains.
- **Unified Office Communications (Lync) service for school staff**
- **Unified Voice for students** - Access to voicemail, 24/7/365 Student Numbers have been installed
- **Unified file storage for students** - The new service offers secure, user-based file storage and provides 1GB of storage space for students. The service integrates with Microsoft Office and all files are accessible for viruses and spyware.

Microsoft Exchange

Web service and mail delivery - (The Department of Education's 24/7/365 web and VoIP (MERLIN) web page)

Fileshare

- **Fileshare** - Access to the MERLIN library system and associated resources. Provides imaging support for the library service at schools and colleges. In March 2009, MERLIN upgraded the file share to 1TB per server.

- **MERLIN has provided setup and ongoing support for the lab at 1567 Dublin** including a central imaging server, wireless and internet connection.
- **School courses for web-based distance delivery (Blackboard)** including transition to the latest version of Blackboard learning system.
- **Web and email domains**
- **FirstClass, Microsoft SharePoint, Microsoft Exchange email and calendaring services, StudentAchieve, Wordpress blog.**
- **APIs and third parties for students** - MERLIN is hosting the application for 47 educational organisations including 29 schools agencies. The Agency assisted the Department of Education (Literacy and youth) in providing IT training services.

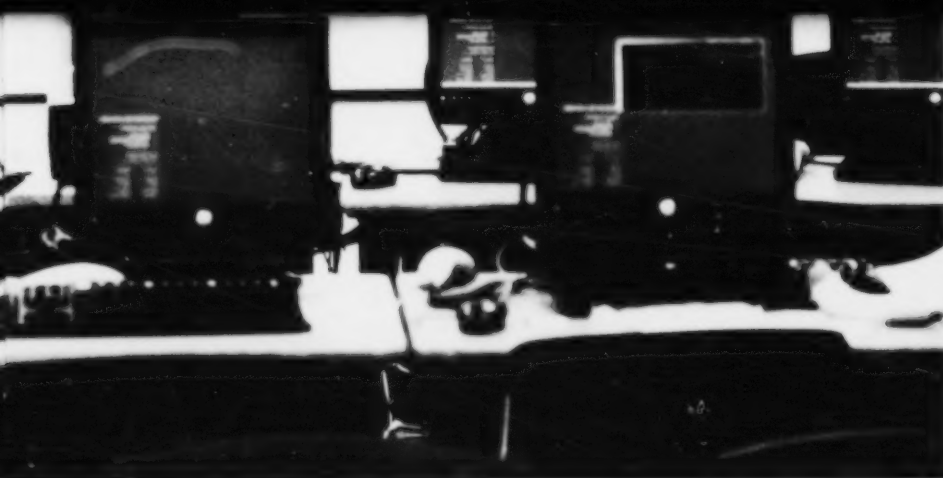
Content Filtering

Content filtering is the blocking or filtering of undesirable internet web content. There are currently 28 schools districts and 11 educational organisations utilizing this service from MERLIN.

High-Speed Direct Connect Services



Increase in internet usage/access by clients May 2007 - June 2009. Shown in Mbps speed



General Support to the Educational Community



Future Outlook

Partner Programs -

- For public schools - Renewal of Agreement for the next three years - July 1, 2009 to June 30, 2012. MERLIN has guaranteed costs at previous Program levels as well as maintained all existing services. It is anticipated that all current Partners will participate.
- For funded independent schools - It is likely that all Partners will participate in the new agreement which will run July 1, 2009 to June 30, 2012.
- Research and evaluation of potential program for post-secondary institutions. MERLIN continues to work with the post-secondary institutions in determining and pursuing interest in other service offerings delivered through MERLIN.

Manitoba Network - MERLIN will continue to support the Manitoba Network through liaison with Manitoba school divisions and post-secondary institutions to assist in gathering feedback that reflects their needs. Staff will continue to support the updating of data that illustrates the status of connectivity.

Community Connections - MERLIN, in partnership with the Manitoba E-Association, supports the continued delivery of the Community Access Programs from schools, adult learning centers and libraries to include all community access programs sites. It appears that there will be a renewal for the 2009-10 fiscal year awaiting an announcement from Ottawa.

As one of the post-secondary members on the MERLIN Advisory Board I have been pleased to see the success of the organization in providing valuable services, resources and advice to the Manitoba educational community.

These successes more than prove the worth of the MERLIN business plan and operational model. I also commend the staff of MERLIN for their efforts.

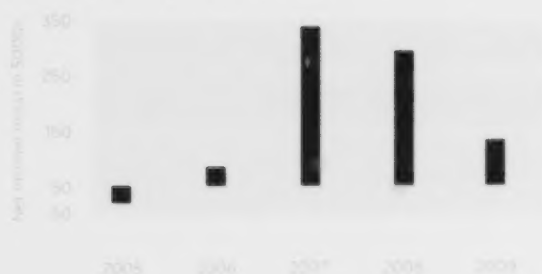
Finally, MERLIN has been a key partner in and supporter of MRnet, the Manitoba Research and Education Network, a valuable resource for the education and research community in this province.

Gerry Miller

Executive Director, Information Services and Technology, University of Manitoba

Financial Statement Analysis

Results from Operations



Fees for Goods and Services



Financial Summary





The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with Canadian generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to May 27, 2009.

Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,



Greg Baylis
Chief Operating Officer



David Olafson
Controller

Manitoba Education, Research and Learning Information Networks (MERLIN)
May 27, 2009



BDO Dunwoody LLP s.r.l.
Chartered Accountants and Advisers
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg, Manitoba, Canada R3C 4L5
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Auditors' Report

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009 and the statements of income, comprehensive income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

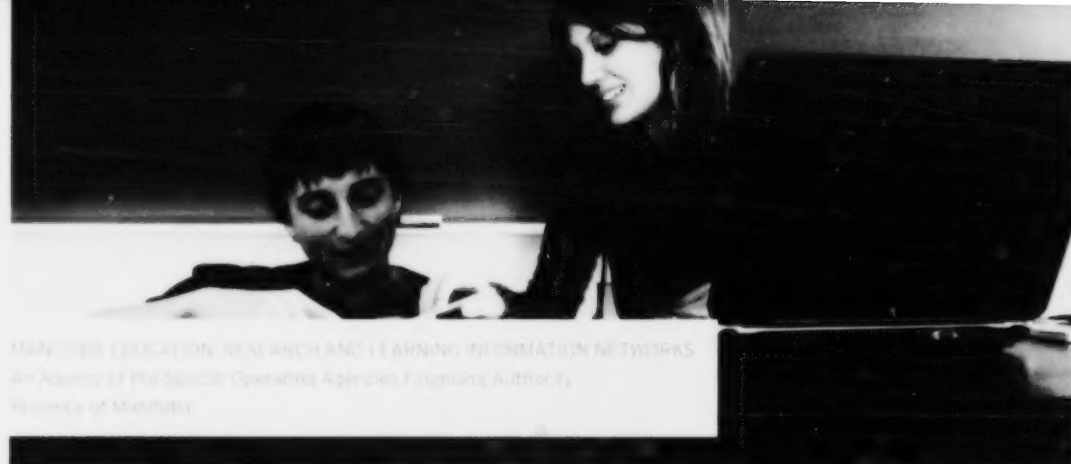
In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 27, 2009

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MANITOBAN EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS
An Agency of The Special Operating Agencies Financing Authority
Province of Manitoba

Balance Sheet

(In Thousands)

March 31	2009	2008
Assets		
Current Assets		
Cash and funds on deposit	\$371	\$604
Accounts receivable	622	217
Receivable from the Province of Manitoba	-	47
Prepaid expense	289	274
	1,282	1,142
Long term investment (Note 4)	47	-
Capital assets (Note 5)	622	467
	\$1,951	\$1,609
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$484	\$214
Unearned revenue	960	1,028
	1,444	1,242
Severance pay liability (Note 8)	84	75
	1,528	1,317
Commitments (Note 10)		
Retained earnings (Page 17)	423	292
	\$1,951	\$1,609

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



Statement of Income, Comprehensive Income and Retained Earnings

(In Thousands)

For the year ended March 31	2009	2008
Revenue		
Province of Manitoba Science, Technology, Energy and Mines Funding	\$446	\$445
Fee for goods and services	3,207	2,813
Other	14	25
Cyberschools	-	133
Community Connections	783	
	4,450	3,479
Expenses		
Advertising and promotion	47	27
Amortization	147	93
Audit and legal fees	9	10
Communication	197	899
Community Connections	759	
Conferences	-	13
Cost of purchases for resale	1,653	1,445
Cyberschools		
Salaries and benefits	-	61
Other expenses	-	72
Equipment repair and maintenance	160	113
Occupancy	60	61
Office and miscellaneous	33	36
Professional development	58	44
Purchased services	45	8
Salaries and benefits	1,105	969
Travel	46	45
	4,319	3,185
Net income and comprehensive income for the year	131	294
Retained earnings (deficit), beginning of year	292	11
Retained earnings, end of year (Page 16)	\$423	297

*The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Notes to Financial Statements (in Thousands)

March 31, 2009

1. Nature of Organization

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap 5185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective September 25, 2002, the Agency operates as part of Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations; it finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. Change in Accounting Policies

Effective April 1, 2008 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards

require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non compliance.

Section 3862, Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments - Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863, Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments - Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year-end financial statements.

3. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

3. Financial Instruments and Financial Risk Management (continued)

The financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and funds on deposit and long term investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable, accounts payable and accrued expenses approximate their carrying values due to their short term maturity.

Financial risk management overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, interest risk, and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and funds on deposit, trade account and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and funds on deposit	5,171
Accounts receivable	602
Long term investment	47
Maximum exposure to credit risk	<u>5,820</u>



Credit risk (continued)

Cash and funds on deposits and long-term investment. The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable. The Agency is not exposed to significant credit risk as payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of year	524
Amounts written off in the year	(13)
Balance, end of year	521

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by raising funds from the Ministry of Manpower to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure related to funds on deposit:

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currencies.

4. Long Term Investment

The Agency accepted responsibility for the pension and retirement savings of its employees of the Agency prior to its incorporation as a Special Operating Agency, and the severance pay benefits accumulated to March 31, 2008 for certain of the Agency's employees. Accordingly, the Agency recorded a net liability of \$47 from the Pension of March 31 for these accumulated benefits. Effective March 31, 2008 the Ministry of Manpower paid the severance benefits related to the funding of these liabilities and has placed the amount of \$47 into an internal savings fund, which is to be added to the Agency's deficit. The Agency is required to discharge the related liabilities.



5. Capital Assets

	2009		2008	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Computer Hardware	\$211	\$241	\$200	\$237
Intangible Software	36	7	36	14
Equipment and Furniture	41	4	41	36
Leasehold	25	5	35	7
	Total	\$287	\$312	\$294
Goodwill and intangible assets acquired		\$427		\$440

6. Working Capital Advances

These advances represent the loans made by the Company to its operating divisions. These advances are subject to the Management Agreement. The loans are due on demand and are secured by a promissory note. The advances are made in the form of cash advances.

During the year, the Company made advances to its operating divisions of \$100,000.

7. Accrued Vacation Entitlements

The Company accrues the cost of the vacation entitlements of its employees as a liability. The liability is accrued as the employees earn the vacation entitlements. The liability is accrued as of March 31, 2009, and is included in the balance sheet. The liability is accrued as of March 31, 2008, and is included in the balance sheet. The liability is accrued as of March 31, 2007, and is included in the balance sheet.

8. Severance Pay Liability

Effective April 1, 2008, the Company began offering a voluntary severance program to its employees. The program is a voluntary program and is not a requirement. The program is a voluntary program and is not a requirement. The program is a voluntary program and is not a requirement.

The Company has a liability for the severance pay of its employees who are eligible for the program. The liability is accrued as the employees are eligible for the program. The liability is accrued as of March 31, 2009, and is included in the balance sheet. The liability is accrued as of March 31, 2008, and is included in the balance sheet.

8. Severance Pay Liability (Continued)

Approved: The Board of Directors of the Corporation on April 23, 2014, authorized the Corporation to pay a maximum of \$10 million in severance pay to any employee of the Corporation who is terminated without cause.

Annual rate of return

Investment Management	1.25%
Investment Services	2.00%
	<u>1.63%</u>

Annual salary increase rates

Investment Management	3.00%
Investment Services	4.00%
	<u>3.50%</u>

9. Revenue Manitoba Education, Citizenship and Youth

The Board of Directors of the Corporation approved a 2014-2015 budget for the Corporation of \$100 million, which includes a 2014-2015 revenue forecast of \$100 million. The Corporation's revenue forecast for 2014-2015 is based on the Corporation's historical performance and the Corporation's revenue forecast for 2014-2015 is based on the Corporation's revenue forecast for 2014-2015.

10. Commitments

The Corporation is committed to providing a high level of service to its customers and to maintaining a strong relationship with its customers. The Corporation is committed to providing a high level of service to its customers and to maintaining a strong relationship with its customers.

Investment Management

Investment Services

Investment Management

Investment Services

11. Pension Benefits

Approved: The Board of Directors of the Corporation on April 23, 2014, authorized the Corporation to pay a maximum of \$10 million in pension benefits to any employee of the Corporation who is terminated without cause. The Corporation's pension benefits are based on the Corporation's historical performance and the Corporation's pension benefits are based on the Corporation's pension benefits for 2014-2015.

The Corporation's pension benefits are based on the Corporation's historical performance and the Corporation's pension benefits are based on the Corporation's pension benefits for 2014-2015. The Corporation's pension benefits are based on the Corporation's historical performance and the Corporation's pension benefits are based on the Corporation's pension benefits for 2014-2015.

12. Capital Disclosures

The Corporation's capital disclosures are based on the Corporation's historical performance and the Corporation's capital disclosures are based on the Corporation's capital disclosures for 2014-2015.

The Corporation's capital disclosures are based on the Corporation's historical performance and the Corporation's capital disclosures are based on the Corporation's capital disclosures for 2014-2015. The Corporation's capital disclosures are based on the Corporation's historical performance and the Corporation's capital disclosures are based on the Corporation's capital disclosures for 2014-2015.

The Corporation's capital disclosures are based on the Corporation's historical performance and the Corporation's capital disclosures are based on the Corporation's capital disclosures for 2014-2015.

Appendix 1


Staff as of March 31, 2009

Greg Baylis - Chief Operating Officer
Jared Bater - Consultant, Unix Technologies
Kiley Bender - Manager, Partner Programs
Lynn Fillion - Provincial Licensing and Software Sales Specialist
Barb Finnimore - Internet Administrator
Darrell Finnimore - Media Technician
Warren Grieder - Consultant, Internet Technologies
Mike Hart - Consultant, Microsoft Technologies
John Hiebert - Consultant, Networking Technologies
Debbie Jennings - Regional Representative
and Distance Education Specialist
Diane Karalash - Financial Administrator
Colette Lafond - Communications Coordinator
Brent McCrea - Consultant, Microsoft Technologies
David Olafson - Comptroller
Grant Wallin - Manager, Information & Communication Technologies
Vacant - Consultant, Microsoft Technologies

Appendix 2

Advisory Board

Ron Weston, Chair
Chief Superintendent
St. James Assiniboa School Division
Doug Edmond
Director of Research, Planning and Systems Management
Winnipeg School Division
Gordon Shead
Chief Superintendent
Frontier School Division
Jeannette Freese
Secretary-Treasurer
Kelsey School Division
Paul Ichena
Secretary-Treasurer
Seine River School Division
Gerry Miller
Executive Director, Information Services and Technology
University of Manitoba
Cheryl Prokopanko
Coordinator, Learning Support and Technology Unit
Instruction, Curriculum and Assessment Branch
Manitoba Education, Citizenship and Youth
Brad Biehn
Director of Information Systems
Louis Riel School Division
Gaylene Schroeder-Nishimura
Assistant Secretary-Treasurer
Seven Oaks School Division
Daryl Kines
Director of Information Technology
University College of the North
Grant Butler
Computer Education Coordinator
Rolling River School Division
Andy McKiel
Coordinator of Curriculum Literacy w/IT (CLT)
St. James Assiniboa School Division
Greg Baylis
Chief Operating Officer
MERLIN



Manitoba



Science, Technology, Energy and Mines

MERLIN is a service operating agency with the Department
of Science, Technology, Energy and Mines.

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